Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type	Local Unit Name	County
☐County ☐City ☐Twp ☐Village ☒Other	Chippewa County EDC	Chippewa

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
December 31, 2007	January 24, 2008	February 26, 2008

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

	YES	NO	**Check each applicable box below.** (See instructions for further detail.)
1.	☒	☐	All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.	☒	☐	There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.	☒	☐	The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.	☒	☐	The local unit has adopted a budget for all required funds.
5.	☒	☐	A public hearing on the budget was held in accordance with State statute.
6.	☒	☐	The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.	☒	☐	The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.	☒	☐	The local unit only holds deposits/investments that comply with statutory requirements.
9.	☒	☐	The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.	☒	☐	There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.	☒	☐	The local unit is free of repeated comments from previous years.
12.	☒	☐	The audit opinion is UNQUALIFIED.
13.	☒	☐	The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.	☒	☐	The board or council approves all invoices prior to payment as required by charter or statute.
15.	☒	☐	To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	☒	
The letter of Comments and Recommendations	☒	
Other (Describe)	☐	

Certified Public Accountant (Firm Name)	Telephone Number		
Anderson, Tackman & Company, PLC	906-495-5952		
Street Address	**City**	**State**	**Zip**
16978 S. Riley Avenue	Kincheloe	MI	49788
Authorizing CPA Signature	**Printed Name**	**License Number**	
Phillip J. Wolf, CPA	Phillip J. Wolf, CPA	1101017275	

ECONOMIC DEVELOPMENT CORPORATION OF CHIPPEWA COUNTY

BASIC FINANCIAL STATEMENTS
AND MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2007

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE
PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL
DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS
MEMBER MACPA
OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Economic Development Corporation
of Chippewa County
Kincheloe, Michigan 49788

We have audited the accompanying financial statements of the business-type activity and major fund of the Economic Development Corporation of Chippewa County, Michigan (a component unit of Chippewa County, Michigan) as of and for the year ended December 31, 2007, which collectively comprise the Economic Development Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Economic Development Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity and major fund of the Economic Development Corporation of Chippewa County, Michigan, as of December 31, 2007, and the respective changes in financial position, and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

16978 S. RILEY AVENUE
KINCHELOE, MICHIGAN 49788
(906) 495-5952 / FAX 495-7312
E-mail: antack@nmo.net

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2008 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements. The schedule presented in the "Supplementary Information" section is for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson Tackman & Co. PLC

Anderson, Tackman & Company, PLC
Certified Public Accountants

January 24, 2008

Management’s Discussion and Analysis

This section of the Economic Development Corporation of Chippewa County, annual financial report presents our discussion and analysis of the Economic Development Corporation financial performance during the fiscal year that ended on December 31, 2007. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

There are several factors having a significant influence on a comparison between 2007 and 2006 financials.

Operating Revenues decreased by $345,680 (15%) absence of CDBG activities;
Grant funding decreased by $1,086,477 (67%);
Depreciation expense increased by $97,369 (9%); and
Loss on Asset Disposal increased by $281,766;

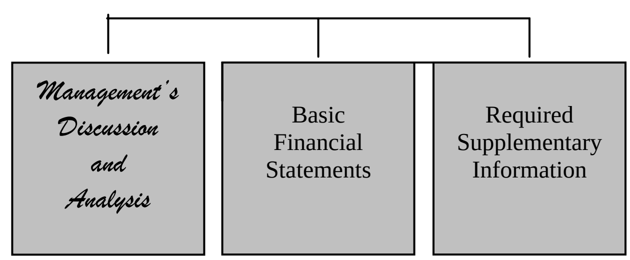
which combined for a negative $1,629,843 swing in Net Income/(Loss), for the year 2007, to ($534,269).

The year 2007 resulted in positive cash flows of $157,330, across all corporation activities, an improvement of $146,338 (133%) over 2006 levels.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include both short-term and long-term views of the Economic Development Corporation.

Figure A-1
Components of Chippewa County
Economic Development Corporation
Financial Report



- The financial statements provide both long-term and short-term information about the overall financial status of the Economic Development Corporation, including long term financing that is used to finance capital improvements such as facility restoration and development of new programs.

FINANCIAL ANALYSIS OF THE ECONOMIC DEVELOPMENT CORPORATION

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the sections of this annual report are arranged and relate to one another.

Table A-1
Economic Development Corporation of Chippewa County
(in thousands of dollars)

	Corporate Activities 2006	Corporate Activities 2007	Total Percentage Change 2006-2007
Current and other assets	$ 1,027	$ 1,192	16.07%
Capital assets	21,148	20,299	(4.01)%
Total assets	**$ 22,175**	**$ 21,491**	**(3.08)%**
Current liabilities	$ 570	$ 423	$ (25.79)%
Long-term debt outstanding	69	66	(4.35)%
Total liabilities	**639**	**489**	**(23.47)%**
Net assets			
Invested in capital assets, net of related debt	21,115	19,938	(5.57)%
Unrestricted	421	1,064	152.73 %
Total net assets	**$ 21,536**	**$ 21,002**	**(2.48)%**

Net assets of the Economic Development Corporations decreased 2.48% to almost $21 million. However, only 5% of net assets are not restricted.

FINANCIAL ANALYSIS OF THE ECONOMIC DEVELOPMENT CORPORATION (Continued)

Table A-2
Economic Development Corporation of Chippewa County
Changes in Net Assets
(in thousands of dollars)

	Corporate Activities 2006	Corporate Activities 2007	Total Percentage Change 2006-2007
Revenues			
Charges for services	$ 2,259	$ 2,046	(9.43)%
Interest & other	1,653	589	(64.37)%
Total Revenues	**3,912**	**2,635**	**(32.64)%**
Expenses			
Operations	2,799	2,868	2.47 %
Interest expense and other	17	301	1,670.58 %
Total Expenses	**2,816**	**3,169**	**12.54 %**
Changes in net assets	**1,096**	**(534)**	**(148.72)%**
Beginning net assets	**20,440**	**21,536**	**5.36 %**
Ending net assets	**$ 21,536**	**$ 21,002**	**(2.48)%**

Total revenues decreased 32.64%, most of which is attributable to grant funding and local contributions. Total expenses increased by 12.54% due primarily to increased fuel expenditures, plus program improvements and inflationary cost increases.

CAPITAL ASSETS

At the end of 2007, the Economic Development Corporation had increased investment in capital assets by $620 thousand including improvements, new machinery and equipment.

Table A-3
Economic Development Corporation of Chippewa County
Capital Assets
(in thousands of dollars)

	Corporate Activities 2006	Corporate Activities 2007	Total Percentage Change 2006-2007
Improvements	$ 12,235	$ 12,342	.87 %
Land	1,947	1,947	- %
Buildings	10,129	10,086	(.42)%
Vehicles and equipment	4,320	4,876	12.87 %
Totals	**$ 28,631**	**$ 29,251**	**2.17 %**

DEBT OBLIGATIONS

Changes in corporate debt for fiscal 2007 are as follows:

	Corporate Activities		Total Percentage Change
	2006	2007	2006-2007
Leases payable	$ 5,223	$ -	(100.00)%
Notes payable	28,247	15,104	(46.53)%
Revolving line of credit	388,142	345,880	(10.89)%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Corporation initiated a summer automotive testing program last year, which will bring increased revenues during historic "off season" periods.

The year makes the second, final year of a two year winter automotive testing agreement.

Concern continues as to the State's unstable financial circumstances, which now jeopardizes state airport participation in the Federal AIP grant program.

The Corporation's 2008 operation budget forecasts a 3.4%, $70,138 increase in revenues, as well as a 4.8%, $88,083 increase in expenses, as compared with 2007 audit levels.

CONTACTING ECONOMIC DEVELOPMENT CORPORATION OF CHIPPEWA COUNTY FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Economic Development Corporation of Chippewa County finances and to demonstrate Economic Development Corporation of Chippewa County accountability for the money it receives for the construction, improvement and maintenance of development programs. If you have questions about this report or need additional financial information, contact the Economic Development Corporation of Chippewa County administrative office at 5019 W. Airport Drive, Kincheloe, Michigan 49788.

Basic Financial Statements

Statement of Net Assets
December 31, 2007

ASSETS:		
Current Assets:		
Cash and Equivalents - Unrestricted	$	523,014
- Designated		420,829
Interest Receivable		16,504
Accounts Receivable - Net		175,244
Inventory		56,228
Total Current Assets		1,191,819
Capital Assets:		
Land		1,946,675
Buildings		10,085,723
Vehicles		1,375,391
Equipment		3,500,493
Improvements		12,342,892
Accumulated Depreciation		(8,952,059)
Total Capital Assets		20,299,115
Total Assets	$	21,490,934
LIABILITIES:		
Current Liabilities:		
Short Term Note Payable	$	345,880
Accounts Payable and Other Liabilities		28,377
Amounts Due to Primary Government		10,989
Due to State		13,143
Current Maturities on Debt Obligations		13,604
Deferred Revenue		10,989
Total Current Liabilities		422,982
Long-Term Liabilities:		
Notes Payable		1,500
Vested Sick Pay		64,951
Total Long-Term Liabilities		66,451
Total Liabilities	$	489,433
Net Assets:		
Invested in Capital Assets (net of related debt)		19,938,131
Unrestricted		1,063,370
Total Net Assets	$	21,001,501

See accompanying notes to financial statements.

Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended December 31, 2007

OPERATING REVENUES:	
Leases and Rentals	$ 551,243
Passenger Facility Charge	50,627
Expense Reimbursements	454,485
Airport Fees	611,199
Other	378,353
Total Operating Revenues	2,045,907
OPERATING EXPENSES:	
Compensation and Fringe Benefits	610,217
Utilities	173,736
Board of Directors	1,895
Travel	2,200
Advertising and Promotion	2,778
Office	11,180
Contracted Services	100,134
Repair and Maintenance	75,490
Depreciation	1,230,703
Insurance	58,087
Supplies	571,838
Other	29,806
Total Operating Expenses	2,868,064
Operating Income (Loss)	(822,157)
NON-OPERATING REVENUES (EXPENSES):	
Grants	538,599
Interest Income	49,913
Interest Expense	(18,858)
Loss on Asset Disposal	(281,766)
Total Non-Operating Revenues (Expenses)	287,888
Changes in Net Assets	(534,269)
Net Assets, Beginning of Year	21,535,770
NET ASSETS, END OF YEAR	$ 21,001,501

See accompanying notes to financial statements.

Statement of Cash Flows
Year Ended December 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	$ 2,052,150
Payments to Employees	(633,577)
Payments to Suppliers	(1,118,453)
Net Cash Provided (Used) by Operating Activities	300,120
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:	
Nonoperating Grants	6,038
Other Transactions	11,360
Net Cash Provided (Used) by Noncapital and Related Financing Activities	17,398
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital Grants	532,561
Acquisition and Construction of Capital Assets (net)	(663,177)
Interest Paid on Notes and Leases Payable	(18,858)
Principal Paid on Notes and Leases Payable	(60,627)
Net Cash Provided (Used) by Capital and Related Financing Activities	(210,101)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	49,913
Net Cash Provided (Used) by Investing Activities	49,913
Net Cash Provided (Used) – All Activities	157,330
Cash and Cash Equivalents at Beginning of Year	786,513
Cash and Cash Equivalents at End of Year	$ 943,843
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	$ (822,157)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	1,230,703
Change in Assets and Liabilities:	
Receivables, net	6,242
Inventories	(14,178)
Accounts and Other Payables	(73,186)
Deferred Revenue	(27,304)
Net Cash Provided (Used) by Operating Activities	$ 300,120
Other Non-Cash Transactions:	
Purchase of Capital Assets with Grants	$ 541,568

See accompanying notes to financial statements.

Notes to Financial Statements

NOTE 1 - REPORTING ENTITY

In accordance with the criteria established by the Governmental Accounting Standards Board, the Economic Development Corporation of Chippewa County is considered a component unit of Chippewa County for financial accounting and reporting purposes. These criteria include: selection of governing authority, the accountability for fiscal matters including the level of County financing and/or moral or legal responsibility for long-term debt. Therefore, the financial statements of the Economic Development Corporation of Chippewa County are presented as the financial statements of a component unit, which is an integral part of the financial reporting oversight unit of the County of Chippewa, Michigan.

The Economic Development Corporation of Chippewa County was organized pursuant to Act 338 of the Michigan Public Acts of 1974, as amended, for the purpose of strengthening and revitalizing the economy of Chippewa County.

The Corporation is a public corporate body, constituting an instrumentality of the County of Chippewa, Michigan, which exercises its prescribed statutory powers, duties and functions within, but independently of Chippewa County. It has been granted the management and ownership of properties and grants obtained when the Kincheloe Air Force Base was closed.

The Corporation consists of nine members, all appointed by the County, for terms of six years each, but no more than three members appointed shall be members of the County Board.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Economic Development Corporation of Chippewa County, have been prepared on the accrual basis. The significant accounting policies are described below to enhance the usefulness of the financial statements.

The Board applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

FUND ACCOUNTING

To ensure observance of limitations and restrictions placed on the use of resources available to the Corporation, the accounts are maintained in accordance with the principles of accrual based accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each cost center. The assets, liabilities and net assets of the Corporation are recorded in self-balancing accounts, one major fund as follows:

- General Operations
- Airport
- Industrial Park
- G.M. Operations

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business-type activity funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for rent and sales. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses. There is only one major fund, the operating fund.

Under terms of grant agreements, the Corporation funds programs with restricted grants, other programs and general revenues. It is the company's policy to apply restricted grant revenues and general revenues as program expenses are incurred.

Assets, Liabilities, and Net Assets or Equity

Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired.

Accounts Receivable

The Corporation has not established an allowance for uncollectible accounts since, in the opinion of management the amount is not significant.

Inventories

Fuel inventories are priced at cost as determined on the average unit cost method. Inventory items are charged to fuel purchases as utilized.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expense in the fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., runways, rails, fencing, and similar items), are reported in the operating fund of the basic financial statements. Capital assets are defined by Economic Development Corporation of Chippewa County as assets with an initial individual cost of more than $10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB Statement No. 34. The EDC of Chippewa County has capitalized the current year's infrastructure, as required by GASB Statement No. 34, and has reported the infrastructure assets in the statement of net assets.

Depreciation

Depreciation is computed on the straight-line method for all assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Building	30 to 50 years
Improvements	5 to 20 years
Vehicles	4 to 10 years
Equipment	4 to 10 years
Infrastructure	8 to 30 years

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the operating fund statement of net assets.

Compensated Absences (Vacation and Sick Leave)

The accumulation of vacation hours for employees is based on time earned at current pay rates. Employees accrued vacation time on a scale based on longevity between 4 and 17 hours per month. Vacation pay is remitted upon severance. Employees hired before 1993 are paid at current rates for sick leave earned. Each regular employee hired after 1993 is provided with payment for sick leave not used of $40 per day to a maximum of 30 days. Full-time employees are provided with 10 hours per month of sick leave benefit. Each employee receives payment for sick leave not used as of retirement up to a maximum of 960 hours.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and affect the disclosure of contingent assets and liabilities at the date of the financial statements. These estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - CASH AND INVESTMENTS

Imprest Cash	$	580
Bank Deposits (Checking Accounts, Savings Accounts, and Certificates of Deposit)		943,263
Total	$	943,843

NOTE 3 - CASH AND INVESTMENTS (Continued)

Michigan Compiled Laws, Section 129.91, authorizes the Corporation to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchased; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Corporation has adopted the County's investment policy, which is in accordance with the provisions of Public Act 196 of 1997.

Interest rate risk. The Corporation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Corporation has no investment policy that would further limit its investment choices.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned. State law does not require and the Corporation does not have a policy for deposit custodial credit risk. As of year end, $786,639 of the Corporation's bank balance of $986,639 was exposed to credit risk because it was uninsured and uncollateralized.

Designated Cash

Cash is designated in the Building Fund in the amount of $382,145, which represents the entire cash balance for the fund. All disbursements from this fund are limited to the maintenance, operation, and capital improvements of the industrial park buildings.

Cash is designated for payment of vested sick and vacation pay in the amount of $38,684.

NOTE 4 - CAPITAL ASSETS

A summary of capital assets follows:

	01/01/07	Additions	Deductions	12/31/07
Capital assets not being depreciated:				
Construction in progress	$ 247,450	$ -	$ 247,450	$ -
Land	1,946,675	-	-	1,946,675
Subtotal	2,194,125	-	247,450	1,946,675

NOTE 4 - CAPITAL ASSETS (Continued)

	01/01/07	Additions	Deductions	12/31/07
Capital assets being depreciated:				
Vehicles	1,069,491	305,900	-	1,375,391
Improvements	12,235,093	107,799	-	12,342,892
Buildings	10,128,618	-	42,895	10,085,723
Equipment	3,251,015	249,478	-	3,500,493
Subtotal	26,684,217	663,177	42,895	27,304,499
Less accumulated depreciation:				
Vehicles	929,760	65,372	-	995,132
Improvements	2,345,933	550,385	-	2,896,318
Buildings	2,960,436	284,549	8,579	3,236,406
Equipment	1,493,806	330,397	-	1,824,203
Subtotal	7,729,935	1,230,703	8,579	8,952,059
Net Capital Assets Being Depreciated	18,954,282	(567,526)	34,316	18,352,440
Capital assets – Net of depreciation	$ 21,148,407	(567,526)	$ (281,766)	$ 20,299,155

Depreciation expense was charged to business activities for economic development in the amount of $1,230,703.

NOTE 5 - LONG-TERM DEBT

Long-term debt consists of the following:

	Balance 01/01/07	Additions	Reductions	Balance 12/31/07	Due Within One Year
Installment payable to Michigan Aeronautics Commission, payable annually (October) in the amount of $12,763, including interest of 4.7% per annum. Matures in 2008, general obligation debt.	$ 23,747	$ -	$ 11,643	$ 12,104	$ 12,104
Installment Payable to the Michigan Department of Transportation, payable annually, $1,500 principal plus interest at 2% below prime, unsecured.	4,500	-	1,500	3,000	1,500
TOTAL LONG-TERM DEBT	$ 28,247	$ -	$ 13,143	$ 15,104	

A summary of debt service requirements is as follows:

	General Obligation Debt		
Year	Principal	Interest	Totals
2008	$ 13,604	$ 633	$ 14,237
2009	1,500	30	1,530
TOTAL	$ 15,104	$ 663	$ 15,767

NOTE 6 - EMPLOYEE RETIREMENT AND BENEFIT

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System)

Plan Description – The Economic Development Corporation participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Chippewa County Unit. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: 1134 Municipal Way, Lansing, Michigan.

Funding Policy – The obligation to contribute and maintain the system for these employees requires an employer contribution of 4.90% of wages for general employees and 1.92% for officials. Employees are required to contribute 2% and officials are required to contribute 4% of gross wages to the plan.

Annual Pension Costs – For year ended 2007, the Corporation's annual pension cost of $15,518 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as December 31, 2005, using the age normal cost method. Significant actuarial assumptions used include: (i) a 8% investment rate of return; (ii) projected salary increases of 4.5 percent per year. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31 (should be as of the date of the actuaries report) follows:

	GENERAL		
	2004	2005	2006
Actuarial Value of Assets	$ 446,989	$ 487,994	$ 534,491
Actuarial Accrued Liability	424,633	469,220	487,689
Unfunded AAL	(22,356)	(18,774)	(46,802)
Funded Ratio	105%	104%	110%
Covered Payroll	167,596	182,675	198,831
UAAL as a Percentage of Covered Payroll	0%	0%	0%

	OFFICIALS		
	2004	2005	2006
Actuarial Value of Assets	$ 244,406	$ 266,545	$ 293,160
Actuarial Accrued Liability	257,703	272,191	284,484
Unfunded AAL	13,297	5,646	(8,676)
Funded Ratio	95%	98%	0%
Covered Payroll	54,203	54,705	54,725
UAAL as a Percentage of Covered Payroll	25%	11%	0%

NOTE 6 - EMPLOYEE RETIREMENT AND BENEFIT (Continued)

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	$ 18,612	100%	$ 0
2006	12,982	100%	0
2007	15,518	100%	0

Defined Contribution Pension Plan

The Corporation provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by agreement, the Corporation contributes a varying percentage of gross earnings. Contributions for each employee (plus interest allocated to the employee's account) are fully vested.

The current year contribution was calculated based on covered payroll of $253,556 resulting in an employer contribution of $0 and employee contributions of $8,458.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Grants - The Corporation has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Corporation.

Risk Management - The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Corporation was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Corporation joined together with the County and created a public entity risk pool currently operating as a common risk management and insurance program. The Corporation pays an annual premium to the pool for its general and health insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $1,000 for each insured event. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Corporation is unable to provide an estimate of the amounts of additional assessments.

NOTE 8 - SHORT TERM NOTES PAYABLE

Short-term debt consists of the following:

	Balance 01/01/07	Additions	Reductions	Balance 12/31/07
Installment payable to a local financial institution, monthly at 4.9% interest, matures July 2008, secured by assets of corporation.	$ 388,142	$ -	$ 42,262	$ 345,880

NOTE 9- POST EMPLOYMENT BENEFITS

In addition to the pension benefits, the EDC will provide post-employment health care insurance benefits to those employees hired prior to January 1, 1990. The EDC will pay a portion of premiums, up to full "family" limits at various rates based on the years of service and age as described in the EDC Policy. As of December 31, 2007, no employees were eligible to receive benefits.

NOTE 10 - GRANT AWARDS

During fiscal 2007, the Economic Development Corporation received significant funding in the form of federal and state awards. The U.S. Department of Transportation awarded two Airport Improvement Grants in the amount of $532,561 for equipment. These grants are reported in the Schedule of Expenditures of Federal Awards of Chippewa County, Michigan and administered by the Michigan Department of Transportation.

Supplementary Information

Combining Statement of Operating Revenues and Expenses
Year Ended December 31, 2007

	General Operations	Airport	Industrial Park	GM Project	Total
OPERATING REVENUES:					
Leases and Rentals	$ -	$ 208,776	$ 251,958	$ 90,509	$ 551,243
Passenger Facility Charge	-	50,627	-	-	50,627
Expense Reimbursements	-	-	-	454,485	454,485
Airport Fees	-	611,199	-	-	611,199
Other	43,530	63,061	10,360	261,402	378,353
Total Operating Revenues	43,530	933,663	262,318	806,396	2,045,907
OPERATING EXPENSES:					
Compensation and Fringe Benefits	6,102	286,802	18,307	299,006	610,217
Utilities	32,319	86,086	6,337	48,994	173,736
Board of Directors	1,895	-	-	-	1,895
Travel	388	1,812	-	-	2,200
Advertising and Promotion	1,376	1,402	-	-	2,778
Office	7,757	2,525	-	898	11,180
Contracted Services	8,814	43,960	-	47,360	100,134
Repair and Maintenance	40,420	8,719	-	26,351	75,490
Depreciation	34,719	924,747	271,237	-	1,230,703
Insurance	48,402	9,685	-	-	58,087
Supplies	65,154	470,330	-	36,354	571,838
Other	14,224	14,769	-	813	29,806
Total Operating Expenses	261,570	1,850,837	295,881	459,776	2,868,064
Allocations	(261,570)	122,938	7,847	130,785	-
Total Operating Income (Loss)	43,530	(1,040,112)	(41,410)	215,835	(822,157)
NON-OPERATING INCOME:					
Grants	-	538,599	-	-	538,599
Interest Income	49,913	-	-	-	49,913
Interest Expense	-	(18,858)	-	-	(18,858)
Loss on Asset Disposal	-	(281,766)	-	-	(281,766)
Total Non-Operating Income (Expenses)	49,913	237,975	-	-	287,888
Net Income (Loss)	$ 93,443	$ (802,137)	$ (41,410)	$ 215,835	$ (534,269)

Report on Compliance

ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE
PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
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DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS
MEMBER MACPA
OFFICES IN
MICHIGAN & WISCONSIN

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board
Economic Development Corporation
of Chippewa County
Kincheloe, Michigan 49788

We have audited the financial statements of the business-type activity and major fund of the Economic Development Corporation of Chippewa County, as of and for the year ended December 31, 2007, which collectively comprise the Economic Development Corporation's basic financial statements and have issued our report thereon, dated January 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Economic Development Corporation of Chippewa County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control.

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A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control over financial reporting. We consider the deficiencies described in 07-1 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Corporation's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Economic Development Corporation of Chippewa County financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Economic Development Corporation of Chippewa County in a separate letter dated January 24, 2008.

This report is intended solely for the information and use, of management, Members of the Board, state and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Tackman & Co. PLC

Anderson, Tackman & Company, PLC
Certified Public Accountants

January 24, 2008

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCIES

Preparation of the Financial Statements in Accordance with Generally Accepted Accounting Principles ***Finding 07-1***

Specific Requirement: Establishment and maintenance of internal control over the financial reporting process as defined by Statement on Auditing Standards Number 112 requires management to prepare annual audit statements in accordance with GASB Statement Number 34. (Audit report format)

Criteria: Internal controls should be in place to provide reasonable assurance to the Corporation that management reports financial statements (with GASB Statement number 34 formats) necessary to monitor and report annual financial activity without auditor intervention.

Condition: Auditor prepares financial statements and annual report in compliance with GASB 34.

Effect: The effect of this condition places a reliance on the independent auditor as part of the Corporation's internal controls over financial reporting.

Cause: Unknown.

Recommendation: The Corporation should consider subcontracting financial statement preparation activities to monitor and report annual financial activity in accordance with GASB Statement Number 34.

Planned Corrective Action: As a result of limited funding, the Corporation does not have resources to fund this process. We intend to re-evaluate once funding becomes available for the additional reporting and monitoring.

- Contact Person(s) Responsible for Correction:
  Kathy Noel, President

ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT TO MANAGEMENT

Board of Directors
Economic Development Corporation
of Chippewa County
Sault Ste. Marie, MI 49783

We have audited the financial statements of the Economic Development Corporation of Chippewa County as of and for the year ended December 31, 2007, and have issued our reports thereon dated January 24, 2008. Professional standards require that we provide you with the following related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated December 19, 2007, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Economic Development Corporation of Chippewa County. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of the Economic Development Corporation of Chippewa County's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on December 19, 2007.

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Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Economic Development Corporation of Chippewa County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal 2007. We noted no transactions entered into by the Economic Development Corporation during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly form those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the depreciation expense based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determine that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. A copy of the adjustments is available from management.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representation from management that are included in the management representation letter dated January 24, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Comments and Recommendations

Check Copies (Prior)

Due to changes in bank practices, the Corporation does not receive canceled checks. The Corporation should contact the bank to obtain "imaged" checks to assure compliance with state retention policies and to assure proper clearing of amounts by the bank.

Status: Corrected.

GASB Statement 45 – Accounting and Financial Reporting By Employers for Post-Employment Benefits Other Than Pensions (Prior)

In June 2004, the GASB issued Statement 45, which establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes post-employment healthcare as well as other post-employment benefits such as life insurance.

The Statement is implemented in three phases, with the Economic Development Corporation of Chippewa County required to implement the Statement for the year ended December 31, 2009. GASB Statement 45 is going to impact the future accounting of post-employment health insurance costs as it relates to the amount the EDC will be required to fund these benefits. Beginning in 2009, the EDC will be required by governmental generally accepted accounting principles to pay the current cost of providing those benefits as well as an amount needed to fund a portion of the unfunded liability relating to the post-employment health benefit. The unfunded liability will be required to be actuarially determined and will be amortized over a period likely not to exceed thirty years. The methods used as part of Statement 45 are similar to those currently used to determine required contribution rates for defined benefit pension plans.

Status: An actuarial evaluation will be performed as part of Chippewa County's overall evaluation.

Separation of Duties

During our review of receipting procedures, we noted that personnel who open mail do not stamp checks received "for deposit only." This procedure is performed by the accountant. To strengthen this control, personnel who open mail should stamp all checks, then give them to the accountant.

Status: Corrected.

Check Review

Issued checks require two signatures by board procedures. Additionally, the check signing process allows, at times, individuals to sign checks made to themselves as the payee. To avoid potential conflicts and strengthen the review process of cancelled checks, checks should not be signed by the payee.

Status: Corrected.

Fraud Policy

With the implementation of Statement of Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks with a governmental entity. The Corporation does not have a "fraud policy" which would address fraud or suspected fraud and related board actions. We recommend the Corporation adopt a fraud policy in compliance with SAS No. 99.

Status: The Economic Development Corporation anticipates adoption of the County policy.

Limitations in Internal Controls

The perfect internal control system does not exist. Staffing limitations can hamper establishing the necessary segregation of duties, especially for small units in a period of shrinking budgets. The potential for human error is always present and can be limited, but never eliminated. Internal controls need to be designed to reduce the risks associated with undetected errors or misappropriation to a manageable level without making day to day operations inefficient and cumbersome or to costly. The cost of implementing a specific control should not exceed the expected benefit of the control. In analyzing the pertinent costs and benefits, management must consider the possible ramifications for the local unit, as a whole, and attempt to identify and weigh the intangible as well as tangible consequences.

Conclusion

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of assistance, please contact us.

This report is intended solely for the information and use, of management, Members of the Board, state and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Tackman & Co. PLC

Anderson, Tackman & Company, PLC
Certified Public Accountants

January 24, 2008